Michigan Dept. of Treasury, Local Audit & Finance Division 496 (3-98), Formerly L-3147 **AUDITING PROCEDURES REPORT** Issued under P.A. 2 of 1968, as amended. Filing is mandatory. County Local Government Name Local Government Type EDMORE VILLAGE MONTCALM Village Other ☐ City ☐ Township Date Accountant Report Submitted to State: Opinion Date Audit Date 6-29-04 2-24-04 4-28-04 We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Mighigan by the Michigan Department of Treasury. We affirm that: 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised. 3 0 2004 LOCAL AUDIT & FINANCE 2. We are certified public accountants registered to practice in Michigan. We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the not the report of comments and recommendations You must check the applicable box for each item below. 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year yes earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). To Be Not We have enclosed the following: Enclosed Required Forwarded PG 31 The letter of comments and recommendations. Reports on individual federal financial assistance programs (program audits).

Certified Public Accountant (Firm Name) BERTHIAUME & CO CPK

Street Address 60 HARROW LANE City SAGINAW State ZIP 48603

Accountant Signature Chemital A-Builtrain

Single Audit Reports (ASLGU).

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INDEPENDENT AUDITORS' REPORT

To the Village Council Village of Edmore Montcalm County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Edmore, as of February 29, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Edmore's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Edmore as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Edmore. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

April 28, 2004

Berthiaume & Co.

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT

COMBINED BALANCE SHEET

February 29, 2004

•			G	OVERNMENT	AL F	UND TYPES	
		General		Special Revenue		Debt Service	Capital Projects
ASSETS:							
Cash and equivalents	\$	457,452	\$	603,326	\$	441	\$ 11,510
Taxes receivable		-		-		-	-
Accounts receivable Notes receivable		-		420.000		-	-
Due from other governmental units		21,954		439,999 18,905		-	-
Due from other funds		21,934		3,430		_	_
Property, plant, and equipment, net				5,450		_	-
Land held for development		-		-		_	_
Advance to other funds		1,551		-		•	-
Amount available for retirement of long-term del Amount to be provided for retirement	ot	•		-		-	-
of long-term debt		-				-	
Total assets	\$	480,957	\$	1,065,660	\$	441	\$ 11,510
LIABILITIES & FUND EQUITY:							
Liabilities:							
Accounts payable	\$	3,909	\$	-	\$	-	\$ -
Accrued expense		6,892		1,289		-	-
Due to other funds		1,994		3,430		-	-
G.O. bonds payable		-		-		-	-
Advance from other funds		-		420.000		-	-
Deferred revenue		•		439,999		-	 -
Total liabilities		12,795		444,718		-	 -
Fund Equity:							
Contributed capital		-		-		-	-
Investment in general fixed assets		-		-		-	-
Retained Earnings: Unreserved – Undesignated				_			
Fund Balances:		-		_		-	_
Unreserved – Undesignated		468,162		620,942		441	11,510
Total fund equity		468,162		620,942		441	 11,510
Total liabilities & fund equity	\$	480,957	\$	1,065,660	\$	441	\$ 11,510

	PROPRI			FIDUCIARY		PRIMAR ACCOUT GROUPS GOVERNM						MPONENT <u>UNIT</u>		PORTING ENTITY
_	FUND T	'YP	ES	2	<u> TYPES</u>	_	<u>ACCOU.</u> General	<u>G</u>	OUFS_C	<u> </u>	Totals	owntown	-	Totals
		,	1			,	Fixed	Goni	eral Long-	(M	emorandum	velopment (1	Men	
_			nternal Samina		Agency		Assets		rm Debt	(22	Only)	luthority		Only)
_ <u>E</u>	interprise		Service		igency		7105010							
e	778,938	\$	165,952	\$	19,369	\$	_	\$	-	\$2	2,036,988	\$ 210,608	\$2	,247,596
\$	110,330	Φ	103,732	Ψ	10,000	•	_		-			53,149		53,149
	70 525		_		_				-		70,525	-		70,525
	70,525		_		_				-		439,999	-		439,999
	-		_		_		_		-		40,859	-		40,859
	-		-		1,994		_		_		5,424	-		5,424
	0.62.720		81,983		1,224		517,119		_	•	1,461,831	-	1	,461,831
	862,729		01,903		_		217,117		_		•	50,000		50,000
	-		-		_		_		-		1,551	-		1,551
	-		-		_		_		441		441	-		441
	-		-		-		-		25,559		25,559	 •		25,559
_	. = 40 400		247.025	\$	21,363	¢	517,119	\$	26,000		4,083,177	\$ 313,757	\$4	1,396,934
<u>\$</u>	1,712,192	\$	247,935)	21,303	Φ.	317,117	Ψ	20,000		.,,-	 <u> </u>		
\$	588 4,723	\$	881 2,381	\$	11,823 7,989	\$	-	\$	<i>-</i>	\$	17,201 23,274	\$ 787 -	\$	17,988 23,274
	4,723		2,501		7,707		-		-		5,424	-		5,424
	-		_				_		26,000		26,000	-		26,000
	-		_		1,551		-		´ -		1,551	-		1,551
	166 070		_		1,551		_		-		605,969	-		605,969
	165,970 171,281		3,262		21,363				26,000		679,419	787		680,206
	1,097,095		49,210		-		517,119		-		1,146,305 517,119	-		1,146,305 517,119
	443,816		195,463		-		-		-		639,279	-		639,279
	-		-		-		-		-		1,101,055	312,970		1,414,025
-	1,540,911		244,673		-		517,119		-		3,403,758	312,970		3,716,728
-	51,712,192	\$	247,935	\$	21,363				26,000	9	4,083,177	\$ 313,757	\$	4,396,934

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended February 29, 2004

				$1 \cup 1 \cup 1$	JND TYPES	
	Gonaral		Special	•	Debt	Capital
	(General	 Revenue		Service	 Projects
REVENUES:						
Property taxes	\$	233,993	\$ -	\$	-	\$ •
Licenses and permits		2,073	-		-	-
Intergovernmental: State grants		132,220	101,683		_	_
Contributions from local units		27,784	446		-	_
Charges for services		30,525	250		-	-
Fines and forfeitures		5,299	-			-
Interest and rentals		14,415	18,412		-	87
Other revenue		22,887	 35,974			 -
Total revenues		469,196	 156,765		-	 87
EXPENDITURES:						
General government		104,844	-		-	-
Public safety		36,686	-		-	-
Public works		128,902	80,100		-	-
Community and economic development		-	300		-	300
Recreation and culture		17,721	-		-	-
Other		68,445 69,257	-		-	-
Capital outlay Debt Service:		09,237	-		-	_
Principal		_	_		50,000	_
Interest		-	-		2,996	
Total expenditures		425,855	80,400		52,996	 306
Excess of revenues over (under) expenditures		43,341	 76,365		(52,996)	 (219)
OTHER FINANCING SOURCES (USES):						
Transfers from other funds		-	77,788		52,996	-
Transfers to other funds		(11,328)	 (71,457)			 -
Total other financing sources (uses)		(11,328)	 6,331		52,996	 <u> </u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses		32,013	82,696		-	(219)
Fund balances, beginning of yearRestated		436,149	538,246		441	 11,729
Fund balances, end of year	\$	468,162	\$ 620,942	\$	441	\$ 11,510

	PRIMARY OVERNMENT	CO	MPONENT <u>UNIT</u>		PORTING E <u>NTITY</u>
	Totals	L	Downtown		Totals
(1	Memorandum)	$D\epsilon$	evelopment	(Mer	norandum
,	Only)		Authority		Only)
\$	233,993	\$	133,408	\$	367,401
	2,073		-		2,073
	233,903		-		233,903
	28,230		-		28,230
	30,775		••		30,775
	5,299		-		5,299
	32,914		1,307		34,221
	58,861		-		58,861
	626,048		134,715		760,763
	104,844		-		104,844
	36,686		-		36,686
	209,002		-		209,002
	606		55,180		55,786
	17,721		-		17,721
	68,445		-		68,445
	69,257		68,000		137,257
	50,000		-		50,000
	2,996		-		2,996
	559,557		123,180		682,737
	66,491		11,535		78,026
	130,784		-		130,784
	(82,785)				(82,785)
	47,999		-		47,999
					10000
	114,490		11,535		126,025
_	968,565		301,435		1,288,000
\$	1,101,055	\$	312,970	\$	1,414,025

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

For the Year Ended February 29, 2004

		G	ΕN	ERAL FU	ND		SPEC	INDS			
		Budget		Actual	F	Variance Favorable nfavorable)	Budget		Actual (U	Fa	'ariance vorable
REVENUES:		Duagei		Actual	(0)	njavorable)	Duagei		Actual	nja	orablej
Taxes	\$	234,735	\$	233,993	\$	(742)	\$	- \$; _	\$	_
Licenses and permits		3,300		2,073		(1,227)		-	-		-
Intergovernmental:											
State grants		134,876		132,220		(2,656)	101,050		101,683		633
Contributions from local units		27,784		27,784		_	1,000		446		(554)
Charges for services		30,470		30,525		55	500)	250		(250)
Fines and forfeitures		4,800		5,299		499		•			<u>-</u>
Interest and rentals		15,700		14,415		(1,285)	23,209		18,412		(4,797)
Other revenue		23,117		22,887		(230)	1,100)	35,974		34,874
Total revenues	_	474,782		469,196		(5,586)	126,859)	156,765		29,906
EXPENDITURES:											
General government		115,386		104,844		10,542			_		_
Public safety		44,990		36,686		8,304			-		-
Public works		135,610		128,902		6,708	101,125	;	80,100		21,025
Community and economic development		150				150	300		300		-
Recreation and culture		21,835		17,721		4,114			-		-
Other		68,850		68,445		405			-		_
Capital outlay		69,260		69,257		3	-		-		-
Total expenditures	_	456,081		425,855		30,226	101,425		80,400		21,025
Excess of revenues over (under)											
expenditures		18,701		43,341		24,640	25,434		76,365		50,931
OTHER FINANCING SOURCES (USES):											
Transfers from other funds		-		_		-	77,788		77,788		-
Transfers to other funds		(11,330)		(11,328)		2	(71,457)	(71,457)		-
Total other financing sources (uses)		(11,330)		(11,328)		2	6,331		6,331		_
Excess of revenues and other financing sources over (under) expenditures and other financing uses		7,371		32,013		24,642	31,765		82,696		50,931
Fund balances, beginning of year Restated		436,149		436,149		<u>-</u>	538,246		538,246		<u>-</u>
Fund balances, end of year	\$	443,520	\$	468,162	\$	24,642	570,011	\$	620,942	\$	50,931
	_										

The accompanying notes are an integral part of these financial statements.

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 29, 2004

	E	nterprise	_	Internal Service	(Men	Totals norandum Only)
OPERATING REVENUES:						
Charges for services Other	\$	256,242 1,465	\$	81,839	\$	338,081 1,465
Total operating revenues		257,707		81,839		339,546
OPERATING EXPENSES:						
Personnel		74,047		26,316		100,363
Fringe benefits		43,698		16,570		60,268
Supplies		4,562		3,413		7,975
Contracted and professional services		75,180		498		75,678
Telephone		2,174		-		2,174
Dues and memberships		57		-		57
Education and training		225		-		225
Insurance		13,332		9,687		23,019
Utilities		5,394		6,104		11,498
Equipment rental		12,705		-		12,705
Other expenses		20,143		15.660		20,143
Depreciation		55,208		15,660		70,868
Total operating expenses		306,725		78,248		384,973
Operating income (loss)		(49,018)		3,591		(45,427)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	····	8,750		1,299		10,049
Total non-operating revenues (expenses)		8,750		1,299		10,049
Net income (loss) before operating transfers		(40,268)		4,890		(35,378)
OPERATING TRANFERS:						
Transfers to other funds		(48,000)		-		(48,000)
Total operating transfers		(48,000)		-		(48,000)
Net income (loss)		(88,268)		4,890		(83,378)
Retained earnings, beginning of year		532,084		190,573		722,657
Retained earnings, end of year	\$	443,816	\$	195,463	\$	639,279

The accompanying notes are an integral part of these financial statements.

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2004

		Interprise	 Internal Service	 Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	(49,018)	\$ 3,591	\$ (45,427
Depreciation Change in operating assets and liabilities which (used) provided cash:		55,208	15,660	70,868
Accounts receivable		(1,843)	-	(1,843
Accounts payable		265	157	422
Accrued expenses payable		4,723	2,381	7,104
Deferred revenue		(14,534)	-	(14,534)
Net cash provided by (used for) from operating activities		(5,199)	 21,789	16,590
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers in (out)		(48,000)	-	(48,000)
Net cash provided by (used for) non-capital financing activities		(48,000)	 *	(48,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of fixed assets		-	 (7,860)	 (7,860)
Net cash provided by (used for) capital and related financing activities	-	<u></u>	 (7,860)	 (7,860)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipt of interest		8,750	 1,299	 10,049
Net cash provided by (used for) investing activities		8,750	 1,299	10,049
Net increase (decrease) in cash and equivalents		(44,449)	15,228	(29,221)
Cash balance, beginning of year		823,387	 150,724	974,111
Cash balance, end of year	\$	778,938	\$ 165,952	\$ 944,890

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

February 29, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edmore conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

REPORTING ENTITY:

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

COMPONENT UNIT:

Included in Reporting Entity

The component unit columns in the combined financial statements include the financial data of the Downtown Development Authority which is a Village component unit. This unit is reported in a separate column (the discrete presentation method) to emphasize that it is legally separate from the Village. The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Excluded from the Reporting Entity

The Nita Curtis Foundation of Edmore, a potential component unit, has a separately appointed seven member board of which three are members of the Village Council. It is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets, or provide funding.

Joint Venture

The Village and Home Township jointly operate the Edmore-Home Municipal Police Authority to provide police protection services for the two entities. For the fiscal year ended February 29, 2004, the Village paid \$31,155 to the Police Authority for police services. The joint venture of the Village is not considered a part of the reporting entity of the Village. Separate financial statements of the joint venture may be obtained directly from them in Edmore, Michigan. The contract creating the Authority was terminated on February 12, 2004.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

BASIS OF PRESENTATION - FUND ACCOUNTING:

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into five generic fund types and three broad fund categories as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds - Trust and agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust, pension trust, and agency funds.

(continued)

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

The nonexpendable trust and pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

General Fixed Assets Account Group - This account group is used to account for the Village's fixed assets, except those accounted for in Proprietary Funds.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Village, except those accounted for in Proprietary Funds.

BASIS OF ACCOUNTING:

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

The modified accrual basis of accounting is followed for all funds except the enterprise (Sewer, Water and Industrial Development Funds) and internal service (Equipment Fund) funds, which use the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash on hand, demand deposits, certificates of deposit, savings accounts, and all short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents. Investments, if any, are presented at fair value.

RECEIVABLES:

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

INVENTORY:

Inventory held by the Enterprise Funds, if any, are valued at cost on the first-in, first-out basis. Inventories of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost of such inventories has been stated as an expenditure at the time of purchase. The Village currently has no inventories.

DUE TO AND DUE FROM OTHER FUNDS:

During the course of its operations, the Village has numerous transactions between funds and the component unit to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds and the component unit had not been paid or received as of fiscal year end, balances of interfund and component unit accounts receivable or payable have been recorded.

FIXED ASSETS AND DEPRECIATION:

Fixed assets in the enterprise and internal service funds are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements, and major replacements are capitalized at cost. Maintenance, repairs, and minor replacements are charged to expenses as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. A General Fixed Assets Group of Accounts, which is required by generally accepted accounting principles, has not been established.

LONG-TERM DEBT:

Long-term liabilities to be funded by governmental funds are reported in the General Long-Term Debt Account Group. Long-term debt obligations to be funded by proprietary funds are recorded as a liability in the respective fund.

ACCUMULATED UNPAID BENEFITS:

Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

FUND EQUITY:

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

PROPERTY TAXES:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

Real property taxes not collected as of October 1 are turned over to Montcalm County for collection, which advances the Village 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. The assessed taxable value of real and personal property located in the Village at December 31, 2002 totaled \$19,802,834. The tax levy for 2003 was based on a millage rate of 11.3923 for general operating purposes and 2.7341 mills for rubbish removal.

INTERFUND TRANSFERS:

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Village management.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Village Council.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

NOTE 2: CASH AND CASH EQUIVALENTS

The Village's deposits at February 29, 2004 are included on the balance sheet under the following classifications:

BALANCE SHEET CLASSIFICATION

	Cash and Cash Equivalents
Deposits - Bank	\$ 2,247,596
Total	\$ 2,247,596

DEPOSITS:

At February 29, 2004, the book value of the Village's and component unit's deposits, consisting primarily of demand deposits, certificates of deposits and other cash equivalents, was \$2,247,596 with a corresponding bank balance of \$2,278,564. Village deposits are partially insured by the Federal Deposit Insurance Corporation and the National Credit Union Administration. Of the bank's balance, approximately \$660,952 is insured (credit risk Category #1) and the remaining \$1,617,612 is uninsured and uncollateralized (credit risk Category #3).

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits funds with and assesses the level or risk of each institution; only those with an acceptable estimated risk level are used as depositories. The Village deposits are in accordance with statutory authority.

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund rece	eivables and payables are as	s follows:				
	Interfund Receivable					
Current portion: Payroll Local streets	\$ 1,994 3,430	General Major streets	\$	1,994 3,430		
Long-term advance: General	\$ 5,424 \$ 1,551	Current tax collection Payroll	\$ \$ 	5,424 51 1,500 1,551		

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

NOTE 4: NOTES RECEIVABLE/DEFERRED REVENUE

The Economic Development Fund makes low and non-interest bearing loans to businesses located within the Village's Downtown Development District. The balance of these notes at February 29, 2004 was \$439,999. This balance and the associated deferred revenue were recorded on the balance sheet. No allowance has been made for uncollectible amounts because all are currently considered collectable.

NOTE 5: FIXED ASSETS

A summary of proprietary fund type property, plant, and equipment at February 29, 2004 follows:

	Water Fund			ewer Fund	-	uipment Fund	Depreciable Life-Years
Land and Improvements Equipment Vehicles	\$	1,386,530 68,074 -	\$	694,738 53,095	\$	167,078 178,154	
Total Fixed Assets Accumulated Depreciation		1,454,424 (725,116)	,	747,833 (614,412)		345,232 (263,249)	
Net Fixed Assets	\$	729,308	\$	133,421	\$	81,983	ı
Depreciation expense for the year	\$	19,625	\$	35,583	\$	15,660	

NOTE 6: LONG-TERM DEBT

GENERAL LONG-TERM DEBT

General long-term debt consists of the following:

		Balance 3/1/03 Additions			Re	ductions	Balance 2/29/04		
General Obligation Bond: 1991 Storm Drainage Bonds The bonds bear interest at a rate of 5.875% payable semi-annually in April and October each year									
through April 1, 2026	\$	76,000	\$	-	\$	50,000	\$	26,000	
Total general long-term debt	\$	76,000	\$	-	\$	50,000	\$	26,000	

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

The Village has pledged its full faith and credit as collateral for all General Long-Term Debt. The 1991 Storm Drainage Bonds are paid for by the Street Funds.

The annual requirements to pay all debt outstanding as of February 29, 2004, including interest payments of \$6,932 are as follows:

Fiscal Year Ended February	D	91 Storm rainage Bonds
2005	\$	3,469
2006		4,322
2007		4,146
2008		3,969
2009		3,793
2010 and thereafter		13,233
	\$	32,932

During the year ended February 29, 2004 the Village made an extra payment of \$48,000 on the 1991 G.O. Bond issue debt.

NOTE 7: EXCESSIVE OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provided that local unit shall not incur expenditures in excess of the amount appropriated. The Village adopted budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General, Special Revenue, and Debt Service Funds. The approved budgets of the Village were adopted to the activity level. Budgeted amounts are as originally adopted, or as amended by the Village Council.

During the year ended February 29, 2004, the Village did not incur expenditures in the Governmental Funds which were in excess of the amounts appropriated.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

NOTE 8: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	Sewer Fund	Water Fund	Total
Operating revenues	\$ 104,254	\$ 153,453	\$ 257,707
Depreciation expense	19,625	35,584	55,208
Operating income (loss)	(11,062)	(37,956)	(49,018)
Operating grants, entitlements, and shared revenues	-	-	-
Operating interfund transfers in (out)	(24,000)	(24,000)	(48,000)
Tax revenues	_	•	
Net income (loss)	(30,618)	(57,650)	(88,268)
Current capital contributions	-	•	-
Property, plant, and equipment additions (deletions)	-	-	-
Net working capital	328,598	515,554	844,152
Total assets	463,984	1,248,208	1,712,192
Bonds and other long-term debt outstanding	-	-	-
Amounts of this debt payable solely from			
operating revenues	-	-	-
Total equity	462,984	1,078,892	1,540,911

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

The Village has a defined contribution pension plan administered by The Equitable Life Assurance Society of the United States. All employees that have reached age 18, worked at least six months in the last five plan years, and made more than \$450 in the plan year are eligible for benefits. The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 29, 2004, the Village made contributions of \$19,532 into the pension plan.

NOTE 10: POST EMPLOYMENT BENEFITS

The Village currently does not provide post employment benefits other than its pension plan.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

NOTE 11: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability workers compensation and property risk, by participating in Michigan Municipal Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Michigan Municipal Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: TOTAL - MEMORANDUM ONLY

The combined financial statements of fund types and account groups present total columns for the year ended February 29, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

NOTE 13: DEFERRED REVENUE IN WATER FUND

On September 8, 1997, the Village entered into a "Water Service Contract" with Home Township. The purpose of the contract is for the Village of Edmore to provide public water service within a designated service area on a retail basis to meet the potable water needs of certain businesses and residents in the Township. In conjunction with this contract the Village and the Township entered into a separate Water Main Construction Agreement with Hitachi Magnetics Corporation and General Electric Corporation. In this connection, in 1997 Hitachi/General Electric was required to pay the Village \$240,100 for the project/services. This \$240,100 amount was recorded on the Water Fund balance sheet as a Deferred Revenue because the contract stipulates that if the contract is terminated during the first ten years, a portion of the project/construction funds (plus interest) paid by General Electric Company and Hitachi Magnetic Corporation are to be reimbursed to them prorated based on the years the contract actually stayed in effect. As of February 29, 2004, the balance of the deferred revenue (unearned portion of the \$240,100 receipt plus interest) is \$165,970.

NOTES TO FINANCIAL STATEMENTS - continued

February 29, 2004

NOTE 14: CHANGES IN GENERAL FIXED ASSETS

A summary of change sin general fixed assets follows:

	Balance 3/1/03 Add		Additions Deletio		etions	Balance 2/29/04	
Buildings	\$	75,704	\$	68,000	\$	-	\$ 143,704
Land and improvements		108,051		-		_	108,051
Park improvements and equipment		127,945		13,298		_	141,243
Furniture and fixtures		45,098		3,537		-	48,635
Vehicles		_		42,145		_	42,145
Equipment		23,064		10,277		-	33,341
	\$	379,862	\$	137,257	\$	-	\$ 517,119

NOTE 15: RESTATED PRIOR YEAR FUND BALANCE

The Village has elected to properly recognize the January and February 2003 motor vehicle highway funds (Act 51) as revenue in the year earned. The effect on the beginning fund balance is as follows:

		Major Streets	 Local Streets	
Fund balance previously stated, February 28, 2003	\$	146,578	\$ 156,194	
Prior period adjustment to recognize receivable from State of Michigan for January and February 2003 motor vehicle highway funds		13,280	5,000	
Prior period adjustment to record 25% transfer of above revenue from Major Street to Local Street		(3,320)	3,320	
Fund balance, as restated, February 28, 2003	\$	156,538	\$ 164,514	

SUPPLEMENTAL DATA

REVENUES:

GENERAL FUND

STATEMENT OF REVENUES

For the Year Ended February 29, 2004

	Ids v En CEG.	
_	Current Taxes: Property taxes Penalties and interest on taxes	\$ 227,666 25
	Property tax administration fees	5,509
	Payment in lieu of taxes	783
-	a dyment in ned or with	
		233,993
	Licenses and Permits:	
_	Business licenses and permits	940
	CATV franchise fees	1,133
		2,073
_	State Grants:	
	Liquor license fees	1,311
	State revenue sharing	130,909
	State 10 vondo Sharing	····
_		132,220
	Contributions from Other Governmental Units:	
	Edmore-Home Municipal Police Authority fixed assets transferred to	
	Village of Edmore	27,784
	Charges for Services:	
	Refuse collection fees	19,816
		10,454
	Cemetery fees	255
	Zoning/variance application fees	
		30,525
_	Fines and Forfeitures:	
	Ordinance fines	500
	Fines and forfeitures – other	4,799
_		5,299
	Interest and Rent:	
	Interest earned	2,315
_		12,100
_	Rents	
		14,415
	Other Revenue:	
	Cemetery lots and perpetual care	2,125
	Contributions from Nita Curtis Foundation	13,000
	Refunds and rebates	5,492
	Miscellaneous/other	2,270
		22,887
	Total revenues	\$ 469,196

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended February 29, 2004

EXPENDITURES:

General Government:	
Board/Council:	
Personnel	7,740
Supplies	1,156
Contracted services	1,391
Dues and memberships	1,233
Education and training	180
Printing and publications	1,395
Other	4,401
	17,496
Manager:	
Personnel	12,007
Supplies	1,196
Contracted services	1,838
Telephone	1,490
Mileage/auto	103
Dues and memberships	421
Education and training	108
Other	1,035
	18,198
Accounting Finance:	
Personnel	5,356
Supplies	1,247
Contracted services	6,669
Telephone	1,548
•	14,820
Clerk:	
Personnel	1,688
Supplies	200
Printing and publications	1,458
	3,346
Audit:	1.740
Contracted services	1,740
Treasurer:	
Personnel	1,080
Supplies	311
Contracted services	776
	2,167

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

EXPENDITURES, continued:

General Government, continued:	
Elections:	
Personnel	529
Supplies	447
Contracted services	174
Printing and publications	647
	1,797
Building and Grounds:	W-3-111
Supplies	198
Contracted services	225
Utilities	2,640
	3,063
Cemetery:	
Personnel	21,809
Supplies	1,853
Utilities	74
Rental - equipment	15,150
	38,886
Other General Services:	
Contracted services	3,331
Total general government	104,844
Public Safety:	
Police:	
Personnel	2,775
Supplies	1,085
Contracted services	31,292
Telephone	202
Mileage/auto	36
Printing and publications	1,134
Utilities	162
	36,686
Total public safety	36,686
•	

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

EXPENDITURES, continued:

Public Works:	
Department of Public Works:	
Personnel	29,654
Supplies	1,315
Contracted services	9,295
Telephone	1,317
Utilities	4,694
Repairs and maintenance	1,867
Rental – equipment	16,760
	64,902
Street Lighting:	
Utilities	17,912
Sanitation:	
Personnel	10,589
Supplies	1,046
Contracted services	24,000
Rental – equipment	10,453
	46,088
Total public works	128,902
Recreation and Culture:	
Parks and Recreation:	
Personnel	5,926
Supplies	2,615
Contracted services	1,557
Utilities	1,793
Rental – equipment	5,830
	17,721
Total recreation and culture	17,721

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

EXPENDITURES, continued:

Other:	
Insurance and Bonds:	
Insurance	9,9
Employee Benefits:	
Fringe benefits	39,9
Retirement:	
Fringe benefits	8,3
Payroll Taxes:	
Fringe benefits	10,1
Total other	68,4
Capital Outlay:	
General Government:	
Accounting/finance	
Public Safety:	
Police	27,8
Police – assets acquired from Edmore-Home Municipal Authority	27,7
	55,6
Recreation and Culture:	
Parks and Recreation	13,2
Total capital outlay	69,2
Total expenditures	425,8
OTHER FINANCING USES:	
Transfers to other funds	11,3
Total expenditures and other financing uses	\$ 437,

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

February 29, 2004

•	 Major Streets Fund	 Local Streets Fund	Sconomic velopment Fund	 Totals
ASSETS:				
Cash and equivalents	\$ 164,986	\$ 169,326	\$ 269,014	\$ 603,326
Notes receivable	-	-	439,999	439,999
Due from other governmental units	13,718	5,187	-	18,905
Due from other funds	 -	 3,430	 -	3,430
Total assets	\$ 178,704	\$ 177,943	\$ 709,013	\$ 1,065,660
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accrued expenses	\$ 394	\$ 895	\$ -	\$ 1,289
Due to other funds	3,430	-	-	3,430
Deferred revenue	 -	 -	 439,999	 439,999
Total liabilities	 3,824	 895	439,999	 444,718
Fund Equity: Fund Balance:				
Unreserved - Undesignated	 174,880	177,048	 269,014	620,942
Total fund equity	 174,880	177,048	 269,014	 620,942
Total liabilities and fund equity	\$ 178,704	\$ 177,943	\$ 709,013	\$ 1,065,660

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 29, 2004

		Major Streets Fund	•	Local Streets Fund	Economic Development Fund		Totals
REVENUES:							
Intergovernmental:							
State grants	\$	73,841	\$	27,842	\$ -	\$	101,683
Contributions from local units		446		-	250		446 250
Charges for services		1,296		1,178	15,938		18,412
Interest and rentals		1,290		1,176	35,932		35,932
Loan repayments Other revenue		_		42	22,222		42
Total revenues		75,583		29,062	 52,120		156,765
EXPENDITURES:							
Public works		36,782		43,318	-		80,100
Community and economic development		-		-	300		300
Total expenditures		36,782		43,318	300		80,400
Excess of revenues over (under)							
expenditures		38,801		(14,256)	 51,820		76,365
OTHER FINANCING SOURCES (USES):							
Transfers from other funds		19,200		58,588	-		77,788
Transfers to other funds		(39,659)		(31,798)	 		(71,457)
Total other financing sources (uses)		(20,459)		26,790	 •		6,331
Excess of revenues and other financing sources over (under) expenditures and		10 242		12,534	51,820		82,696
other financing uses		18,342		•	•		
Fund balances, beginning of year restated	·	156,538		164,514	 217,194		538,246
Fund balances, end of year	\$	174,880	\$	177,048	\$ 269,014	\$	620,942

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

February 29, 2004

Liabilities: Current liabilities: \$ 112 \$ 476 \$ 588 Accounts payable \$ 1,853 \$ 2,870 \$ 4,723 Accrued expenses 1,853 \$ 2,870 \$ 4,723 Total current liabilities 1,965 \$ 3,346 \$ 5,311 Long-term liabilities: - 165,970 \$ 165,970 Total long-term liabilities - 165,970 \$ 165,970 Total liabilities 1,965 \$ 169,316 \$ 171,281 Fund Equity: Contributed capital 319,054 \$ 778,041 \$ 1,097,095 Retained Earnings: 142,965 \$ 300,851 \$ 443,816 Unreserved - Undesignated 142,965 \$ 300,851 \$ 443,816 Total fund equity 462,019 \$ 1,078,892 \$ 1,540,911			Sewer Fund		Water Fund	 Total
Cash and equivalents \$ 296,840 \$ 482,098 \$ 778,938 Accounts receivable 33,723 36,802 70,525 Total current assets 330,563 518,900 849,463 Property, Plant, and Equipment: Property, plant, and equipment at cost 747,833 1,454,424 2,202,257 Less: accumulated depreciation (614,412) (725,116) (1,339,528) Net property, plant, and equipment 133,421 729,308 862,729 Total assets \$ 463,984 \$ 1,248,208 \$ 1,712,192 LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable \$ 112 \$ 476 \$ 588 Accrued expenses 1,853 2,870 4,723 Total current liabilities: 1,965 3,346 5,311 Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 </th <th>ASSETS:</th> <th></th> <th></th> <th></th> <th></th> <th></th>	ASSETS:					
Property, Plant, and Equipment: Property, plant, and equipment, at cost 747,833 1,454,424 2,202,257 Less: accumulated depreciation (614,412) (725,116) (1,339,528) Net property, plant, and equipment 133,421 729,308 862,729 Total assets \$ 463,984 \$ 1,248,208 \$ 1,712,192 LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable \$ 112 \$ 476 \$ 588 Accounts payable \$ 1,853 2,870 4,723 Total current liabilities: 1,965 3,346 5,311 Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Cash and equivalents	\$	•	\$	•	\$ •
Property, plant, and equipment, at cost Less: accumulated depreciation Net property, plant, and equipment Total assets 133,421 729,308 862,729	Total current assets		330,563		518,900	 849,463
Total assets	Property, plant, and equipment, at cost Less: accumulated depreciation		(614,412)		(725,116)	,339,528)
LIABILITIES AND FUND EQUITY: Liabilities: Current liabilities: Accounts payable \$ 112 \$ 476 \$ 588 Accrued expenses 1,853 2,870 4,723 Total current liabilities 1,965 3,346 5,311 Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Unreserved – Undesignated 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Net property, plant, and equipment					
Liabilities: Current liabilities: \$ 112 \$ 476 \$ 588 Accounts payable \$ 1,853 \$ 2,870 \$ 4,723 Accrued expenses 1,853 \$ 2,870 \$ 4,723 Total current liabilities 1,965 \$ 3,346 \$ 5,311 Long-term liabilities: - 165,970 \$ 165,970 Total long-term liabilities - 165,970 \$ 165,970 Total liabilities 1,965 \$ 169,316 \$ 171,281 Fund Equity: Contributed capital 319,054 \$ 778,041 \$ 1,097,095 Retained Earnings: 142,965 \$ 300,851 \$ 443,816 Unreserved - Undesignated 142,965 \$ 300,851 \$ 443,816 Total fund equity 462,019 \$ 1,078,892 \$ 1,540,911	Total assets	<u>\$</u>	463,984	\$	1,248,208	\$ 1,712,192
Current liabilities: Accounts payable \$ 112 \$ 476 \$ 588 Accrued expenses 1,853 2,870 4,723 Total current liabilities 1,965 3,346 5,311 Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Unreserved – Undesignated 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	LIABILITIES AND FUND EQUITY:					
Accounts payable \$ 112 \$ 476 \$ 588 Accrued expenses 1,853 2,870 4,723 Total current liabilities 1,965 3,346 5,311 Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911						
Long-term liabilities: - 165,970 165,970 Total long-term liabilities - 165,970 165,970 Total liabilities 1,965 169,316 171,281 Fund Equity: 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Accounts payable	\$	1,853	\$	2,870	\$ 588 4,723
Deferred revenue	Total current liabilities		1,965		3,346	 5,311
Total liabilities 1,965 169,316 171,281 Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: Unreserved – Undesignated 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911			_		165,970	165,970
Fund Equity: Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Total long-term liabilities		_		165,970	165,970
Contributed capital 319,054 778,041 1,097,095 Retained Earnings: 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Total liabilities		1,965		169,316	 171,281
Unreserved – Undesignated 142,965 300,851 443,816 Total fund equity 462,019 1,078,892 1,540,911	Contributed capital		319,054		778,041	1,097,095
Total fund equity 462,019 1,078,892 1,540,911			142,965		300,851	443,816
- 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1 0 1	•		462,019		1,078,892	1,540,911
	Total liabilities and fund equity	\$	463,984	\$	1,248,208	\$ 1,712,192

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 29, 2004

		Sewer Fund		Water Fund		Total
OPERATING REVENUES:						
Charges for services	\$	103,216	\$	150,571	\$	253,787
Penalties		1,038		1,417		2,455
Other		-		1,465		1,465
Total operating revenues		104,254		153,453	*****	257,707
OPERATING EXPENSES:						
Personnel		35,065		38,982		74,047
Fringe benefits		21,257		22,441		43,698
Supplies		1,909		2,653		4,562
Contracted and professional services		8,156		67,024		75,180
Telephone		704		1,470		2,174
Dues and memberships		-		57		57
Education and training		-		225		225
Insurance		11,294		2,038		13,332
Utilities		2,044		3,350		5,394
Equipment rental		2,936		9,769		12,705
Other expenses		12,326		7,817		20,143
Depreciation		19,625		35,583		55,208
Total operating expenses		115,316		191,409		306,725
Operating income (loss)		(11,062)	-	(37,956)		(49,018)
NON-OPERATING REVENUES (EXPENSES):						
Interest income		4,444		4,306		8,750
Total non-operating revenues (expenses):		4,444		4,306		8,750
Net income (loss) before operating transfers		(6,618)		(33,650)		(40,268)
OPERATING TRANSFERS:						
Transfer to other funds		(24,000)		(24,000)		(48,000)
Total operating transfers		(24,000)		(24,000)		(48,000)
Net income (loss)		(30,618)		(57,650)		(88,268)
Retained earnings, beginning of year		173,583		358,501		532,084
Retained earnings, end of year	\$	142,965	\$	300,851	\$	443,816

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2004

		Sewer Fund		Water Fund		Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$	(11,062)	\$	(37,956)	\$	(49,018)
Adjustments to reconcile operating income (loss) to						
net cash provided by (used in) operating activities: Depreciation		19,625		35,583		55,208
Change in operating assets and liabilities which (used)		17,020		20,202		,
provided cash:						
Accounts receivable		(775)		(1,068)		(1,843)
Accounts payable		13		252 2,870		265 4,723
Accrued interest payable Deferred revenue		1,853		(14,534)		(14,534)
		9,654		(14,853)	•	(5,199
Net cash provided by (used for) operating activities		9,034		(14,655)		(3,133
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Operating transfers out		(24,000)		(24,000)		(48,000)
Net cash provided by (used for) non-capital						
financing activities		(24,000)		(24,000)		(48,000)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Receipt of interest		4,444		4,306		8,750
Net cash provided by (used for) investing activities		4,444		4,306		8,750
Net increase (decrease) in cash and equivalents	-	(9,902)		(34,547)		(44,449)
Cash and cash equivalents, beginning of year		306,743		516,646		823,389
Cash and cash equivalents, end of year	\$	296,840	\$	482,098	\$	778,938

AGENCY FUNDS

COMBINING BALANCE SHEET

February 29, 2004

	7	Current Tax Collection Payroll		ayroll	Glenn Curtis Estate	Total	
ASSETS: Cash and equivalents Due from other funds	\$	51	\$	7,495 1,994	\$ 11,823	\$	19,369 1,994
Total assets	\$	51	\$	9,489	\$ 11,823	\$	21,363
LIABILITIES:							
Accounts payable Accrued expenses Advance from other funds	\$	- 51	\$	7,989 1,500	\$ 11,823	\$	11,823 7,989 1,551
Total liabilities	\$	51	\$	9,489	\$ 11,823	\$	21,363

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

February 29, 2004

		Balance 3-1-03 Additions			alance -29-04
CURRENT TAX COLLECTION					
Cash and cash equivalents	\$	51	\$ 258,844	\$ 258,844	\$ 51
Advance payable to other funds	<u>\$</u>	51	\$ 258,844	\$ 258,844	\$ 51
PAYROLL					
Cash and cash equivalents Due from other funds	\$	10,909	\$ 325,934 1,994	\$ 329,348	\$ 7,495 1,994
Total assets	\$	10,909	\$ 327,928	\$ 329,348	\$ 9,459
Accounts payable Due to other funds	\$	1,811 7,598	\$ 327,928	\$ 321,750 7,598	\$ 7,989 -
Advance payable to other funds	-	1,500	-	-	 1,500
Total liabilities	\$	10,909	\$ 327,928	\$ 329,348	\$ 9,489
GLENN CURTIS ESTATE					
Cash and cash equivalents	<u>\$</u>	8,240	\$ 100,089	\$ 96,506	\$ 11,823
Accounts payable	\$	8,240	\$ 100,089	\$ 96,506	\$ 11,823
TOTAL - ALL AGENCY FUNDS					
Cash and cash equivalents Due from other funds	\$	19,200	\$ 684,867 1,994	\$ 684,698	\$ 19,369 1,994
Total assets	\$	19,200	\$ 686,861	\$ 684,698	\$ 21,363
Accounts payable Due to other funds	\$	10,051 7,598	\$ 428,017	\$ 418,256 7,598	\$ 19,812
Advance payable to other funds		1,551	_	-	 1,551
Total liabilities	\$	19,200	\$ 428,017	\$ 425,854	\$ 21,363



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MANAGEMENT LETTER

To the Village Council Village of Edmore Montcalm County, Michigan

We have completed our audit of the financial statements of the Village of Edmore for the year ended February 29, 2004, and have issued our report thereon dated April 28, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Edmore taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company Certified Public Accountants

Berthiaume & Co.

April 28, 2004